BC Transit

2007 BC Transit ANNUAL REPORT

Her Honour

The Honourable Iona Campagnolo
Lieutenant-Governor of the
Province of British Columbia

MAY IT PLEASE
YOUR HONOUR,

I respectfully submit the
Annual Report of BC Transit
for the fiscal year ended
March 31, 2007.

Kevin Falcon
Minister of Transportation and
Minister responsible for Transit

2007-05495/

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Message from the Chair

BC Transit experienced strong growth in market demand in 2006/07, with ridership increasing at a rate faster than the national average to a level approaching 43 million passenger trips. Transit services were enhanced in a number of communities through new or expanded partnerships including the "Health Connections" program, transit pass programs at universities and other transit- supportive strategies put in place by major public agencies and employers. Rapid increases in energy prices also led to a significant series of jumps in retail gasoline prices late in the year, leading to higher growth in ridership in the last quarter as consumers reacted to the higher cost of auto use.

Budgeting challenges continued with highly volatile energy markets and a particularly strong mid- year rise in diesel prices. Maintenance costs increased with continuing inflation in vehicle parts pricing, and the cumulative effects of deferred maintenance from prior years.

With a growing public awareness of global warming and sensitivity to the environmental impacts of the transportation sector, BC Transit expanded a number of fuel and technology initiatives. The Board of Directors formally adopted an environmental fuel strategy, and by year-end biodiesel fuel was in use throughout the Victoria system. The Corporation also presented plans to government for a project to put the world's first fleet of hydrogen fuel cell buses and supporting infrastructure into operation by 2010. The province committed $10 million for the development of a preproduction fuel cell bus, and a hydrogen fueling station was opened in Victoria later in the year. As the year drew to a close government was assembling the final elements for the announcement of a fuel cell fleet project plan.

Funding commitments were secured during the year which allowed the development of plans for service enhancements, and fleet and program expansion to commence. Funds involved $32 million from the Province to support expanded operations in 2007/08, and to cover the provincial share of capital costs to purchase 121 vehicles in the next two fiscal years. Various components of the federal government gas tax refund program for cities and communities were accessed to provide for transit priority facilities and other capital projects to enhance transit service, reduce roadway congestion and provide environmental benefits. In addition, the Corporation received approval to allocate $15 million in proceeds from asset sales and tax refunds towards fleet purchases, operations in 2006/07 and other investments. Local government partners also contributed over $4 million in flex funding to cover service enhancements in 40 communities. BC Transit continued to work with VANOC and the Resort Municipality of Whistler to develop plans for spectator and volunteer transport services in this area for the 2010 Games.

BC Transit once again worked closely with the Canadian Urban Transit Association, the Federation of Canadian Municipalities and others to promote national programs of investment in - and support for - improved public transportation in Canadian cities and communities. BC Transit Board member and Oak Bay Mayor Christopher Causton played an active role in this national advocacy initiative as a member of CUTA's Municipal Councils Committee.

Finally, on behalf of the Board and everyone at BC Transit, I would like to extend a special acknowledgment and thanks to Greg Slocombe of Prince Rupert, the departing Chair of BC Transit's Board of Directors. His five years of leadership from January 2002 to March 2007, and his selfless contribution to the development of transit programs and services in British Columbia, is greatly appreciated.

Accountability Statement

BC Transit's 2006/07 Annual Report was prepared under the BC Transit Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of the Crown agency for the twelve months ended March 31, 2007. All significant decisions, events and identified risks, as of March 31, 2007, have been considered in preparing the report.

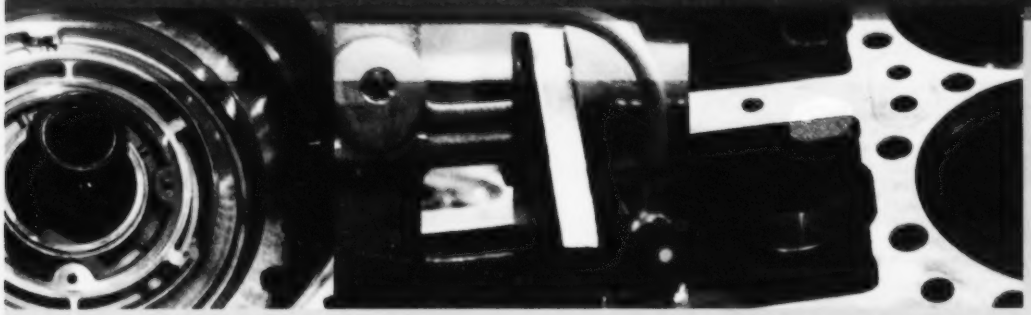
The information presented is prepared in accordance with the B.C. Reporting Principles and represents a comprehensive picture of our actual performance in relation to our service plan. The measures presented are consistent with BC Transit's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

This report contains estimates and interpretive information that represent the best judgment of management. Any signification limitations in the reliability of data are identified in the report.

Kevin Mahoney
Chair

Organization Overview



Organization Overview

BC Transit is the provincial Crown agency charged with coordinating the delivery of public transportation throughout British Columbia outside Greater Vancouver. In partnership with local government, the Corporation's mandate includes planning, funding, marketing, fleet management and contracting for the operations of transit services. According to the British Columbia Transit Act (Section 3.1) BC Transit is to:

> ... plan, acquire, construct or cause to be constructed public passenger transportation systems and rail systems that support regional growth strategies, official community plans, and the economic development of transit service areas, [and] to provide for the maintenance and operation of those systems.

Scope

The scope of BC Transit's program as of March 2007 is as follows:

- 54 local government partners, including health districts and the Victoria Regional Transit Commission
- contracts with 25 operating companies and 13 non-profit agencies
- 42.5 million passengers carried annually
- over 1.4 million people served in B.C.
- 77 transit systems - conventional, custom and paratransit
- fleet of 782 conventional and double-deck buses, minibuses and vans
- $167.9 million annual operating expenditures

Vision

In recognition of the pivotal role public transportation plays in sustaining vibrant, healthy communities, BC Transit's vision is for the:

> Development of transit services, in partnership with each community, to provide essential mobility and travel choice for all residents, where costs of traffic congestion are reduced, air quality and associated health benefits enhanced, more compact and efficient urban development supported and costly new roadway construction deferred.

Mission

BC Transit's mission statement integrates the Corporation's purpose, products and client base:

> To excel in the provision of safe, reliable, cost-efficient and market-focused public transportation systems that support the social, economic and environmental goals of the customers and communities served.

Values

BC Transit's core values guide its daily operation:

- Committing to strong partnerships with local government and operating companies, while continuing to develop new community partners throughout the province
- Supporting transparent local decision-making on transit matters - including budgets, services and tariffs - in open sessions at regional districts, municipalities and at meetings of the Victoria Regional Transit Commission
- Focusing on the market to maximize service convenience and appeal
- Ensuring safety and security for customers, staff and the public
- Fostering innovation in planning, fleet procurement, service delivery, customer service and administration
- Utilizing sound financial practices, including a competitive procurement process to ensure the highest value is received for dollars spent
- Demonstrating environmental stewardship through responsible purchasing practices and facilities management - and through support for community, provincial, national and international efforts.

Services Provided

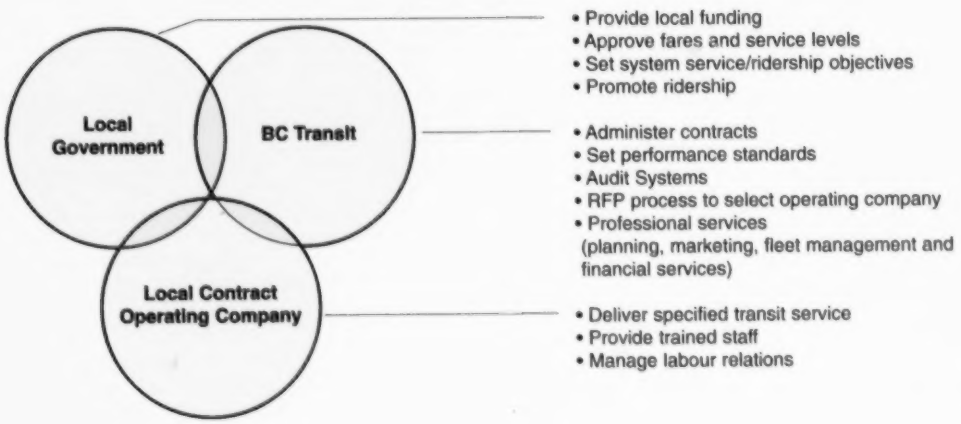
Three types of transit ensure services are tailored to local markets and community needs.

Conventional transit serves the general population in urban settings using mid-sized, large or double deck buses — mostly fully accessible and low-floor — with fixed routes and fixed schedules. Recent conventional transit innovations have ranged from Community Bus to Bus Rapid Transit. **Custom transit** serves those who cannot use conventional transit because of a disability, using vans and minibuses for dial-a-ride, door-to-door handyDART service, and through contracted Taxi Supplement and Taxi Saver (discounted coupon) programs. In small town, rural and suburban areas **Paratransit** offers flexible routing and schedules for passengers using minibuses, taxis and vans.

In the Victoria Regional Transit System, BC Transit measures customer awareness, service quality and customer satisfaction levels on a quarterly basis. These results are posted on BC Transit's website.

In the Municipal Systems, as part of its contract administrator role, the Corporation annually carries out more than 40 audits of various aspects of the contracted services to ensure that a high quality of service and safety are maintained.

BC Transit's Public-Private Partnership


Local Government
BC Transit
Local Contract Operating Company
• Provide local funding
• Approve fares and service levels
• Set system service/ridership objectives
• Promote ridership
• Administer contracts
• Set performance standards
• Audit Systems
• RFP process to select operating company
• Professional services (planning, marketing, fleet management and financial services)
• Deliver specified transit service
• Provide trained staff
• Manage labour relations

Governance and Board Activity

The Corporation is governed by a seven-member Board of Directors appointed by the Province of British Columbia according to the BC Transit Act. The Act requires four of the Board members to be municipally-elected representatives. The Chair reports to a provincial cabinet minister.

Membership on the Board of Directors as of March 2007 is as follows:

Mr. Kevin Mahoney (Chair, as of March 2007), North Vancouver

Mr. Gregory Slocombe (Chair, to March 2007), Prince Rupert

Mayor Don Amos, Town of Sidney

Mr. Kelly Cairns, Kelowna

Mayor Christopher Causton, District of Oak Bay

Mr. Bob De Clark, Nanoose Bay

Mayor Colin Kinsley, City of Prince George

Mayor Terry Lake, City of Kamloops

The Audit Committee is the only standing committee of the Board, and meets either as a Committee of the Whole or as the full Board in regular session. More detail on BC Transit's corporate governance is available at http://www.bctransit.com/corporate/general_info/governance.cfm)

The Board of Directors was once again very active in its support of the transit program. In the course of the year the Board visited the Sea to Sky corridor and the Regional District of Nanaimo to meet with local government partners and operating contractors, and to tour transit facilities. As in past years, in the fall the Board consulted with local government partners at a productive and well attended transit forum at the annual Union of British Columbia Municipalities (UBCM) conference.

Late in the prior fiscal year, the Minister of Transportation announced the commencement of a funding and governance review of BC Transit. The Board met this fiscal year with the Minister and the review team on a number of occasions during this process.

The Year in Review

The Year in Review

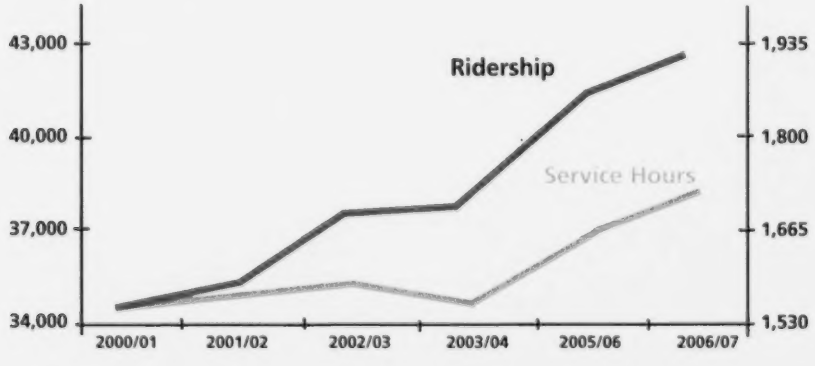
Ridership Growth Sets Stage for Expansion

Ridership on BC Transit's systems increased last year at a rate which well exceeded the national transit industry average. Across all BC Transit programs – conventional, custom and paratransit combined - ridership totaled 42.5 million passengers, up from a level of 40.7 million the year before.

Municipal Systems Program conventional transit carried 18.9 million passengers, an increase of 6% compared to the previous year. Whistler recorded the largest rise in absolute numbers (up 286,000 rides) as a result of a busier tourism season. Central Fraser Valley, Kamloops, Kelowna and Prince George all experienced increases of more than 100,000 passengers, while Comox saw the fastest rate of growth (up 22%). Higher ridership around the province was due largely to expanding high-school and post-secondary markets, the success of transit pass marketing programs and a 1.4% increase in service hours.

In the Victoria Regional Transit System, 21.8 million passengers were carried on the conventional system, an increase of 4% over the year before. The growth in performance resulted in large part from significant increases in travel by bus to and from growing suburbs, and a positive response to service increases implemented throughout the region. Year-over-year service hours delivered grew by 7%.

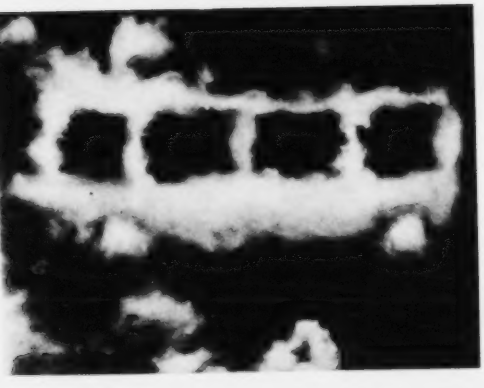
With $10 million in operating funds added by the Province of B.C. to the Corporation's budget for the three year period beginning in 2007/08, BC Transit finalized plans to embark on a series of service expansions in 25 transit systems around the province. Representing an 11% services increase overall, the expansion will help BC Transit respond to the steady market growth demonstrated over the past several years. Planned improvements include more frequent service and a new busway in Victoria, implementation of bus rapid transit (BRT) in Kelowna, and the introduction of new paratransit services in six small town and rural areas.



Emphasis on the Environment

BC Transit supports the development and implementation of clean transportation technologies, and the Province of B.C.'s commitment to reduced greenhouse gases. The Corporation's Board formally endorsed an environmental fuel strategy in March 2007, and for some time has been implementing improvements in engine technologies to reduce emissions. Between 2000 and 2006 BC Transit's efforts in this regard resulted in a 20% reduction in annual C02 emissions for the provincial fleet of buses.

In the February 2007 throne speech the Province of B.C. announced an $89 million federal-provincial investment in the world's first operational fleet of 20 fuel cell transit buses and associated infrastructure. The federal Public Transit Capital Trust is providing $45 million of the total project funding. BC Transit is overseeing the project. Earlier in 2006 the Province had dedicated an initial $10 million for development of a pre-production hydrogen fuel cell bus, and in December 2006 the federal Minister of Natural Resources opened the first hydrogen highway fueling station in Victoria. The buses will be showcased in the Resort Municipality of Whistler during the 2010 Olympic and Paralympic Winter Games, before being deployed in regular service as part of BC Transit's provincial fleet.



BC Transit also completed a multi-year assessment of operational, maintenance and lifecycle costs, of four types of powertrains and biodiesel fuels for the Corporation's provincial fleet. The assessment suggested that the bus technology of choice at this time will be clean diesel, and that lower capital costs for diesel electric hybrid buses will be necessary if hybrid vehicle technology is to be a cost-effective choice in the future. The study also indicated that hydrogen fuel cell electric buses have the potential to provide the cleanest and most efficient propulsion technology in the long term.

Earlier in the year BC Transit acquired 18 environmentally-friendly NOVA vehicles for transit systems in Victoria (8), Prince George (5) and Nanaimo (5). These vehicles offer the latest features in accessibility, passenger comfort, improved fuel efficiency and reduced emissions.

biodiesel

In the spring of 2007 the Corporation announced the switch to a biodiesel fuel blend in all buses in the Victoria Regional Transit System. This move will result in reduced emissions as well as improved cost efficiency, with no modification to the existing diesel engines or fueling stations required.

Winning Partnerships

BC Transit received a national award for innovation at the annual meeting of the Canadian Urban Transit Association (CUTA) in 2006 in recognition of a new way of delivering medical transportation. The program - a partnership of BC Transit, local governments and health authorities – offered for the first time public transit services integrated with non-emergency medical transportation services in small towns and rural areas. Seven services were established in 2005/06, and two more were added in 2006/07. The program is funded by Health Connections, a BC Ministry of Health program.

SQUAMISH•WHISTLER
COMMUTER

A second innovative transit partnership was due to receive a CUTA award at year-end. The Resort Municipality of Whistler, the District of Squamish, BC Transit and Whistler Transit Ltd. together designed the Sea to Sky Commuter Pilot Project to meet the need for commuter services for residents in the busy winter season. The pilot project included a unique blend of public transit service, fare subsidies on the existing inter-city bus service, and an emergency ride home program.

In December, students at the UBC-Okanagan College in Kelowna passed a referendum in support of the introduction of a U-Pass program. Similar to the program already in place in Victoria - and the program started in the fall of 2006 in Cranbrook - the Kelowna U-Pass will entail the sale of transit passes on a mandatory basis as part of student fees effective the fall of 2007. To meet anticipated demand, service in Kelowna will be improved, including the introduction of eight new buses and a bus rapid transit (BRT) service linking downtown and the campus

Victoria's Times-Colonist recognized the Comox Valley Transit System as one of the 25 fastest growing businesses on Vancouver Island last year. Since 2001, ridership has nearly doubled, largely due to partnering with the school district to offer improved transportation to students; the addition of Community Bus service offering flexible routing in low density areas; and improved linkages to ferry, air, and inter-city bus services in the Comox Valley.

CLEAN AIR DAY | JOURNÉE DE L'AIR PUR

Last year 29 communities in B.C. participated in Clean Air Day. A partnership involving BC Transit, the Ministry of Environment and Environment Canada, the goal is to increase awareness about local air quality and climate change issues, and to educate the public about what individuals can do to help maintain a healthy environment.

Transit Pass Tax Credit

The federal government's new transit pass tax credit took effect July 2006, with transit passes valid for a month or longer now qualifying for a non-refundable tax credit. BC Transit worked with government partners, the Canadian Urban Transit Association and operating companies throughout the province to ensure riders were informed of the steps necessary to qualify for the tax savings.

Funding and Transit Infrastructure Projects

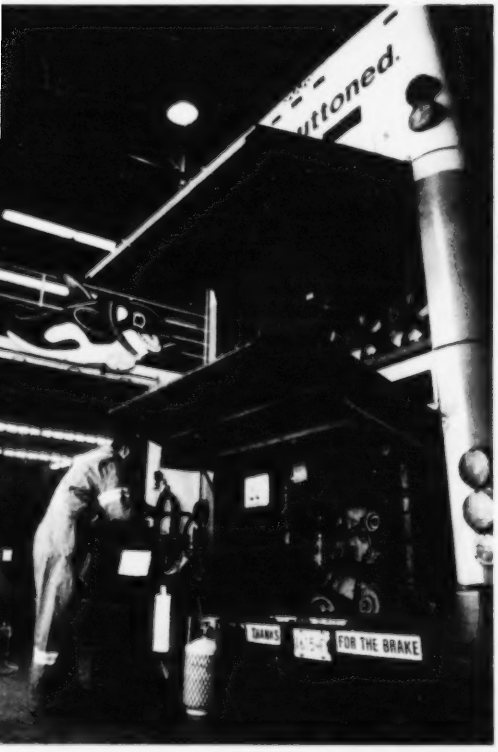
New funding commitments from senior government for transit infrastructure projects were secured during the year. Communities served by BC Transit will benefit from $22 million in funding committed from the federal government's Public Transit Capital Trust. These funds will be used to purchase 121 buses and expand transit.

The Province of B.C. also confirmed it will be directing $18.4 million in additional funds received from the Public Transit Capital Trust program to local transit services through UBCM. These funds will be used for infrastructure improvements designed to reduce traffic congestion and promote use of public transit.

Design began on one of the largest projects to be supported by the new funds, a $5 million development of a busway in the median of the busy Douglas Street/Highway 1 corridor in Victoria. This major transit spine was designated as a priority in a number of earlier regional studies. The project is being managed by BC Transit with technical support from the City of Victoria, the District of Saanich and the Ministry of Transportation.

In the Municipal Systems Program, local governments contributed $4.3 million in flex funding covering 100% of operating costs for service improvements in 40 transit systems last year. This was up from a level of $2.3 million in flex funding in 22 systems the year before.

In Kamloops, the federal Public Transit Agreement funds through UBCM, BC Transit and the City of Kamloops jointly committed $1.5 million for the construction of the new Landsdowne Transit Exchange. The facility features increased bus capacity, improved passenger boarding and waiting areas, and a transit priority signal. With the approval of the Minister of Transportation, last year BC Transit secured $10 million from the sale of surplus properties, and $5 million on the successful appeal of a GST case to the Tax Court of Canada. This money will be directed to cover operating and capital costs in 2006/07 and 2007/08.



Competitive Labour Markets

BC Transit continued to address workforce challenges shared by major employers across B.C. The Corporation expanded its recruitment strategies to include broader advertising activity including high visibility bus panels - job fair participation, and subsidized relocation expenses where necessary. BC Transit is challenged by a high level of retirements as baby-boomers reach retirement age, and faces competition with other employers for skilled workers in a tight labor market. Retention and engagement strategies also included health promotion through the employee-managed "Route to Health" committee; expanded employee assistance programs; an active early return to work program; and employee recognition programs.

Performance Report

Performance Report

Introduction

This performance report summarizes the results achieved by BC Transit in the fiscal year 2006/07. During the past year the BC Transit corporate budget and associated targets were amended by the Board to reflect flex-funded service additions part way through the year. However, the narrative below compares results to the original 2006/07-2008/09 Service Plan, and not to the amended corporate budget. This performance report is organized as follows.

In the next section performance is reported against the Corporation's three goals set out in BC Transit's 2006/7–2008/2009 Service Plan - service delivery, community development, and funding and governance - and the associated 18 strategies and related targets.

This is followed by performance summary tables utilizing transit industry standard measures by program area for the Victoria Regional Transit System and the Municipal Systems Program.

The performance report concludes with a comparison of BC Transit's performance to transit industry benchmarks.

Operating Environment

BC Transit's operating environment throughout the year was characterized by growing demand for public transit. A strong economy and historically high fuel prices – as well as service improvements put in place during the year in response to local governments supporting improved transit availability - all contributed to the achievement of record high ridership.

Financial challenges in the year continued primarily due to high fuel costs, and fleet maintenance expenditures that are growing faster than the rate of inflation. In addition, the strong economy contributed to cost pressures in the competitively-tendered operating contracts in the Municipal Systems Program, which together account for more than $65 million of BC Transit's annual expenditures.

Widespread recognition of the critical need for action on climate change resulted in an increased appreciation on the part of senior governments and the public of the important role transit can play in the reduction greenhouse gas emissions. In the course of the year substantial new senior government funding from the sharing of federal gas tax revenues began to flow, bringing with it the opportunity to make significant improvements to transit infrastructure.

Goal 1 – Service Delivery

Maximize the efficient and cost effective use of resources in the provision of safe, innovative and customer-oriented services to meet present and evolving market demands.

1. OBJECTIVE: Deliver core services and target services to new and/or growing priority areas.

Strategy A. **Reallocate service from lower demand periods to areas of higher demand, and develop service and tariff strategies to promote increased market share.**

Targets: Continuous improvement in average rides/hour program-wide for conventional transit services: 34.4 rides/hour in Victoria and 25.5 rides/hour in Municipal Systems.

Results: Victoria – 35.1, Municipal Systems – 26.1

Targets: Maintain industry leadership in productivity level for custom transit service: 4.8 rides/hour in Municipal Systems and 2.8 rides/hour in Victoria.

Results: Victoria – 2.6, Municipal Systems – 4.9

2. OBJECTIVE: Improve service efficiency and effectiveness.

Strategy A. **Expand strategic purchasing initiatives to contain costs.**

Target: Cost/hour and cost/ride at or below inflation (BC-CPI).

Results: Cost per hour and cost per ride exceeded target as a result of higher fuel and maintenance expenditures. Strategic purchasing initiatives limited increases to less than 5%.

Strategy B. **Evaluate alternative techniques to reduce fuel consumption.**

Target: Develop a recommendation based on results of pilot testing for fleet-wide fuel efficiency improvements including Smart Driver Training, real-time fuel consumption monitoring and reconfiguration of vehicle transmissions.

Results: Over 200 conventional vehicles received transmission software upgrades and improved fuel economy up to 3%. New vehicle deliveries include advanced systems including real time fuel consumption monitoring.

Strategy C. **In recognition of the importance of retaining an engaged and high performing workforce, support continual employee development and performance enhancement.**

Target: Complete introduction of enhanced performance and development reviews for all employees by Year 3.

Results: Implemented performance review system in Maintenance division.

Target: Conduct refresher / upgrade training on performance / development management for all supervisors and managers in Year 1.

Results: Training completed for selected supervisors and managers with an emphasis on those new to their responsibilities. Intend to participate in Canadian Urban Transportation Association supervisor training in Year 2.

Strategy D. Pursue new funding and operational efficiencies to offset anticipated cost increases, in order to maintain core transit services through the term of the Plan.

Target: Secure new funding and operational efficiencies to offset anticipated cost increases, in order to maintain core transit services through the term of the Plan.

Results: Funding secured from asset sales, tax refunds, flex funding and new partnerships.

3. OBJECTIVE: Improve transit safety for passengers and reduce the costs of accidents.

Strategy A. Reduce preventable accidents through ongoing training and improved performance feedback.

Target Victoria Regional Transit System: reduce preventable accidents below last three-year average in each year of the 2006/09 Service Plan period.

Municipal Systems Program: develop and implement a standard accident reporting framework by end of Year 1.

Results: Preventable vehicle accidents / 1 Million Kilometers rose to 4.62 from a three year average of 3.86.

4. OBJECTIVE: Implement high priority service improvements.

Strategy A. Pursue new community funding partnerships to implement enhanced service.

Target: Expand partnership activities with Health Authorities, School Districts, employers, and others. Seek 2.4 million start-up funding for small towns and rural areas from "New Deal" funding program.
Implement a minimum of one U-Pass program annually.

Results: New health connections services implemented and more than 60,000 hours of service implemented. One U-Pass start up and one U-Pass referendum passed.

Goal 2 – Community Development

Plan and deliver transit services that meet local land-use and growth priorities, while furthering the development of safe, healthy communities and a sustainable environment.

1. OBJECTIVE: Identify and adopt new technologies to enhance customer service, improve air quality and reinforce transit's community benefits.

Strategy A: **Evaluate and expand hybrid diesel electric technology.**

Target: Develop the business case for repowering selected vehicles in BC Transit's existing fleet. Includes application to the federal government for funding to implement in Year 2.

Results: Fleet upgrade plan prepared and funding request submission to UBCM to access federal gas tax capital funding.

Strategy B. **Commence work on a program that will see BC Transit acquire and place a fleet of hydrogen fuel cell buses into regular service.**

Targets: Subject to successful application for federal funding by spring 2006, commence the Hydrogen Fuel Cell Project. Issue RFP to undertake fleet acquisition and development of fueling systems by the end of Year 1.

Results: Project funding in place for Phase 1 and RFP submissions received and evaluation underway at year end.

2. OBJECTIVE: Support regional growth strategies, community planning initiatives and municipal empowerment.

Strategy A. **Work with local governments in the development of strategic transportation initiatives that support local and regional growth strategies.**
Target: Implement Kelowna and Victoria Regions' Bus Priority Projects (Phase 1 – funded in Victoria by a federal transit infrastructure program and in Kelowna from Transport Canada, the provincial Ministry of Transportation and the City of Kelowna). Secure funding for future phases of these projects prior to Year 2.

Results: Funding for Phase II in Victoria – Douglas Street Busway, secured, and service plan and fleet procurement approved for Kelowna with BRT facility plan under development at year end.

Strategy B. **Work with local government partners and others to advance applications for capital funding for priority projects under the federal government's "New Deal for Cities and Communities" and other senior government programs.**

Target: Applications submitted with local government partners' endorsement for all eligible projects in Year 1 of BC Transit's Long Term Capital Plan (LTCP).

Results: 4 projects totaling over $50 million submitted to UBCM regional infrastructure and innovations funds by year end. Victoria endorsement received, other local government partner work in progress at year end.

Strategy C. **Broaden the awareness of public transit benefits through environmental education and climate change efforts.**

Targets: Subject to funding, increase BC communities participating in Clean Air Day activities by 15% in Year 1.
Build and deliver public transit and active transportation youth educational programs through partnership with 2010 Legacies Now.

Results: There were 21 Clean Air Day communities in 2005 and 29 in 2006.

Goal 3 – Funding and Governance

Review BC Transit's current funding and governance structure.

1. OBJECTIVE: **Support the Ministry of Transportation in conducting a review of BC Transit's funding and governance structure.**

Strategy A. **Assist the Minister in the planned funding and governance review.**

Target: Develop supportive strategies for the review of BC Transit's funding and governance framework in consultation with the Minister of Transportation and ministry staff.

Results: Support provided to Ministry and meetings with BC Transit Board and the Ministry's review team concluded.

Performance Summary Tables

Statistics and Performance Measures

The industry-wide standard indicators and performance measures used in BC Transit's Annual Report to measure the achievement of strategic goals are those universally adopted by the North American transit industry. An explanation of the statistical and performance measures used in this report is included below. Data reliability is assured as follows. Ridership information is collected using an industry-standard reporting protocol and common definitions. (The same information is used by Statistics Canada for its Standard Industrial Classification reports.) Estimates are derived using statistically valid sampling measures from sources of data which include comparisons between revenue, farebox passenger counts and automated passenger counts.

Per capita estimates use population figures from the most recently published census, adjusted annually by BC Statistics and collated for the respective Transit Service Areas by BC Transit. Service hours delivered are calculated based on billings and operating statements in the Municipal Systems Program, which are verified by audits. Service hours delivered in Victoria are based on payroll records.

Actual financial results are audited and prepared in accordance with generally accepted accounting principles.

BC Transit Corporate Performance

Table 1 below summarizes revenue, costs, service hours and passengers for all BC Transit programs (Municipal Systems Program and Victoria Regional Transit System combined) for the 2006/07 fiscal year, compared to Service Plan targets.

Table 1

BC Transit	2004/05 Actual	2005/06 Actual	**2006/07 Actual**	**2006/07 Service Plan Target**	2006/07 Amended Board Target	2007/08 Service Plan Target	2008/09 Service Plan Target
SERVICE EFFECTIVENESS							
Total Revenue	44,996	47,367	**50,917**	**47,866**	50,665	57,959	59,815
Operating cost	110,797	119,331	**129,508**	**122,790**	127,933	144,786	152,731
Service hours (000s)	1,601	1,654	**1,720**	**1,669**	1,734	1,842	1,893
Revenue passengers (000s)	38,609	40,716	**42,534**	**40,379**	42,183	45,074	46,636

Explanation of Statistics and Performance Measures

Statistics

Statistics include operational outputs and transit service area statistics. These factors, when used in a ratio, indicate commonly compared industry standard performance measures.

Total service hours represent the total number of hours that the transit fleet is in regular passenger service.

Revenue passengers represent transit riders who have made one fare payment to use the transit service. (Passengers who use a transfer and board more than one bus to complete a trip are only counted once).

Operating cost is the sum of all costs associated with the administration, operation and maintenance of the transit system during a specified period excluding depreciation and interest paid on loans for capital outlays.

Operating revenues include passenger and advertising revenue. It excludes property tax and fuel tax revenue.

Population is for the defined transit service area.

Performance Measures

Performance measures are statistical ratios combining system outputs, and transit service area statistics to benchmark performance within the industry and operational trends over time.

Operating Cost Recovery reflects annual operating revenue divided by total operating cost. This ratio indicates the proportion of costs recovered from operating revenue. Fares are established by the local partners. A strong cost recovery is desirable, as it reduces the subsidy from the taxpayer. This factor, however, is a municipal policy decision.

Operating cost per passenger reflects annual operating cost divided by annual passengers carried. This ratio indicates the efficiency of transit expenditures directed toward passengers carried. Consistent or decreasing cost per passenger indicates that ridership is growing faster than costs.

Operating cost per hour reflects annual operating cost divided by annual total service hours. The ratio also reflects efficiency. Increasing cost per hour indicates operating costs are increasing faster than service hours.

Rides per capita reflect annual passengers carried divided by regional population. This is a measure of market share and effectiveness in services that transit markets.

Passengers per hour reflect annual passengers divided by annual total service hours. This ratio is a primary measure of the effectiveness of the service provided. The ratio improves with lower average trip lengths, or higher average speeds.

Victoria Regional Transit System

Overall, transit service in the Victoria Regional Transit System exceeded the prior year by 37,000 hours (5%). In 2006/07 a record 22.2 million passengers chose public transit – 771,000 or 4% more than the preceding year. The results for conventional and custom transit were as follows.

Victoria Conventional Transit

Conventional transit in the Victoria region carried 21.8 million passengers in 2006/07, 4% higher than the prior year. This ridership growth was driven by high demand on routes serving educational institutions and all major commuter corridors. Service delivered was 27,000 hours above the service plan and 39,000 hours (7%) above the prior year's actual. This increase in service level was made possible through additional provincial funding for public transit and flex-funding by the Victoria Regional Transit Commission.
Table 2 below presents performance for the Victoria Regional Conventional Transit program for the year under review compared to prior years and the 2006/07 Service Plan using standard service effectiveness and cost efficiency measures.

Table 2

Victoria Conventional Transit	2004/05 Actual	2005/06 Actual	**2006/07 Actual**	**2006/07 Service Plan Target**	2006/07 Amended Board Target	2007/08 Service Plan Target	2008/09 Service Plan Target
SERVICE EFFECTIVENESS							
Service hours (000s)	560	584	**623**	**596**	632	681	694
Revenue passengers (000s)	19,613	21,055	**21,845**	**20,526**	21,900	23,700	24,480
Operating cost	46,200	49,136	**54,267**	**50,522**	53,150	59,618	61,543
Total Revenue	24,563	25,828	**27,712**	**26,265**	27,750	33,539	34,282
Revenue passengers per service hour	35.0	36.0	**35.1**	**34.4**	34.7	34.8	35.3
Rides / Capita	58.6	62.2	**63.9**	**60.3**	64.3	69.6	71.2
COST EFFICIENCY							
Operating cost recovery (psgr revenue)	53.2%	52.6%	**51.1%**	**52.0%**	52.2%	56.3%	55.7%
Operating cost per service hour	$82.44	$84.12	**$87.10**	**$84.77**	$84.10	$87.54	$88.68
Operating cost per revenue passenger	$2.36	$2.33	**$2.48**	**$2.46**	$2.43	$2.52	$2.51

Total operating cost recovery was 51.1%, slightly below both target and the prior year. This was the result of the higher operating costs for fuel and maintenance.

Productivity, measured as passengers per service hour, exceeded the service plan by 2%.
The operating cost per passenger was slightly unfavourable to the service plan target and 6% above the prior year, reflecting increased operating costs.

The operating cost per hour was $87.10, exceeding target and the prior year as a result of fuel and maintenance costs.

Victoria Regional Custom Transit

The Victoria Regional handyDART service carried a total of 280,000 passengers, and provided a further 73,000 rides by taxi, for a total of 353,000 custom transit passengers. Total ridership was 5% below the prior year and 11% below target. This is in part the result of two factors. The growing number of fully accessible conventional vehicles in the transit fleet presents an attractive alternative to mobility challenged clients. (Over 80% of the conventional service in Victoria is now equipped with low floor accessibility enhanced buses under a policy adopted in the early 1990's.) In addition, new care facilities have begun providing alternate mobility options to their residents, reducing the number of passengers carried by handyDART.

Table 3 presents performance for the Victoria Regional Custom Transit program for the year under review compared to prior years and the 2006/07 Service Plan.

Table 3

Victoria Custom Transit	2004/05 Actual	2005/06 Actual	**2006/07 Actual**	**2006/07 Service Plan Target**	2006/07 Amended Board Target	2007/08 Service Plan Target	2008/09 Service Plan Target
SERVICE EFFECTIVENESS							
Service hours (000s)	108	111	**109**	**111**	114	118	120
Revenue passengers (000s)	368	372	**353**	**395**	402	410	420
Operating cost	4,928	5,570	**5,674**	**5,717**	6,009	6,371	6,689
Taxi Saver costs	(62)	285	**236**	**280**	325	313	325
Total Revenue	362	360	**327**	**389**	393	387	390
handyDART passengers (000s)	293	297	**280**	**312**	320	330	337
handyDART passengers per service hour	2.7	2.7	**2.6**	**2.8**	2.8	2.8	2.8
COST EFFICIENCY							
Operating cost recovery	7.3%	6.5%	**5.8%**	**6.8%**	6.5%	6.1%	5.8%
Operating cost per service hour (van only)	$46.07	$47.69	**$50.08**	**$48.98**	$50.04	$51.34	$53.03
Operating cost per revenue passenger	$13.40	$14.97	**$16.08**	**$14.47**	$14.95	$15.54	$15.93

Service hours delivered is contingent on client demand, and were 2% below 2005/06 and the service plan target.

Excluding the custom transit passengers who utilize the Taxi Saver program, the handyDART van productivity rate of 2.6 passengers per hour was slightly below the prior period and the service plan target. The operating cost per passenger, also excluding the Taxi Saver program, was 7% above 2005/06 levels, and 11% above the target as a result of fixed costs applied over fewer passengers, and higher operating costs including fuel and maintenance.

Municipal Systems Program

Overall, there was a 3% increase in service delivered compared to the previous year, for a total of 989,000 service hours in the conventional, custom and paratransit programs combined. Local partners flex-funded service enhancements, and ridership targets were exceeded overall in the Municipal Systems Program.

Municipal Systems Program Conventional Transit

The 24 conventional transit systems carried a record 18.9 million passengers, up 6% (979,000 passengers) compared to the prior year and exceeding the service plan forecast by 4%. All three tiers (see Appendix A3) experienced growth in ridership. Service levels grew 10,000 hours with the help of flex-funding contributions from local government and community partners. Overall the Tier 1 systems accounted for 80% of the ridership increase in the Municipal Systems.

Table 4 presents performance for the Municipal Systems Conventional Transit program for the year under review compared to prior years and the 2006/07 Service Plan.

Table 4

Municipal Systems Custom/Para Transit	2004/05 Actual	2005/06 Actual	**2006/07 Actual**	**2006/07 Service Plan Target**	2006/07 Amended Board Target	2007/08 Service Plan Target	2008/09 Service Plan Target
SERVICE EFFECTIVENESS							
Service hours (000s)	241	247	**266**	**252**	269	282	290
Revenue passengers (000s)	1,281	1,374	**1,441**	**1,363**	1,489	1,582	1,624
Van passengers (000s)	1,122	1,219	**1,303**	**1,205**	1,306	1,354	1,356
Operating cost	11,985	13,139	**14,581**	**13,669**	14,851	16,486	17,468
Taxi Saver & Supplement costs	529	925	**979**	**940**	1,032	1,031	1,031
Total Revenue	2,042	2,193	**2,355**	**2,092**	2,379	2,665	2,757
Van passengers per service hour	4.7	4.9	**4.9**	**4.8**	4.9	4.8	4.7
COST EFFICIENCY							
Operating cost recovery	17.0%	16.7%	**16.2%**	**15.3%**	16.0%	16.2%	15.8%
Operating cost per service hour (van only)	$47.50	$49.47	**$51.15**	**$50.51**	$51.45	$54.72	$56.63
Operating cost per revenue passenger	$9.36	$9.56	**$10.12**	**$10.03**	$9.97	$10.42	$10.76

New or re-allocated services were targeted at key market groups including the following:

Kamloops - Ridership increased 4% from last year, setting a record high for the fourth year in a row. The continued success of the U-Pass program is the main factor in ridership increases. Ridership among TRU students has doubled since U-Pass was implemented.

Central Fraser Valley up 153,000 passengers (11%) and the third consecutive record high. Commuter and student markets continue to respond to the 2004 service restructuring and expansion as well as the rebranding to ValleyMAX implemented in 2006.

Prince George ridership increased 13% from last year, reaching a new record high. Ridership was 13% above the target for 2006/07. The continued ridership growth can be attributed to service improvements targeted at key post secondary and high school student markets.

Whistler ridership increased 11% from the previous year, and was 1% above the target. The number of visitors to Whistler rebounded during the 2006/07 ski season after falling in 2005/06, and this drove the increase in ridership.

In total, 723,000 conventional service hours were delivered. The most substantial service increases were in Comox Valley, Kamloops, Kelowna Regional, Cranbrook, and the Cowichan Valley.

Average ridership performance in 2006/07 was 26.1 passengers per service hour, which exceeded the prior year by 4%, and the service plan target by 2%. The average operating cost per hour was $76.07, exceeding the service plan by 2% due primarily to fuel and fleet maintenance costs. The operating cost per passenger was $2.91, marginally over the prior year and on target. Operating cost recovery was 37.3%, an improvement over the prior year, and exceeding the target.

Municipal Systems Program Custom and Paratransit

The Municipal Systems Program custom and paratransit services carried 1.4 million passengers in 2006/07, above the prior year by 6% and exceeding the service plan target by 6%. Primarily the growth was in paratransit ridership which is up 14%, while custom transit ridership was down 4%. Of the 14 custom systems, Penticton experienced the highest absolute (+1,900) and percentage growth (+15%) in ridership. Among the paratransit systems, Shuswap Regional experienced the largest absolute increase in ridership (11,000 rides or 13.8%). Powell River experienced the largest percentage increase in ridership (+39%). Kimberley, Nakusp, Nelson, and Princeton all experienced increases of more than 20%.

These increases were offset by ridership decreases in other areas, including Castlegar, Revelstoke, Pemberton, and Summerland. Eight of 14 custom systems, including all the Tier 1 custom sytems, experienced decreases in ridership.

Table 5 below presents performance for the Municipal Systems Custom/Para Transit program for the year under review compared to prior years and the 2006/07 Service Plan.

Table 5

Municipal Systems Conventional Transit	2004/05 Actual	2005/06 Actual	**2006/07 Actual**	**2006/07 Service Plan Target**	2006/07 Amended Board Target	2007/08 Service Plan Target	2008/09 Service Plan Target
SERVICE EFFECTIVENESS							
Service hours (000s)	692	713	**723**	**710**	719	761	789
Revenue passengers (000s)	17,347	17,916	**18,895**	**18,094**	18,392	19,382	20,112
Operating cost	47,683	51,486	**54,986**	**52,882**	53,923	62,311	67,031
Total Revenue	18,028	18,986	**20,523**	**19,120**	20,142	21,368	22,386
Revenue passengers per service hour	25.1	25.1	**26.1**	**25.5**	25.6	25.5	25.5
Rides / Capita	20.8	21.2	**21.8**	**21.5**	21.9	23.0	23.6
COST EFFICIENCY							
Operating cost recovery	37.8%	36.9%	**37.3%**	**36.2%**	37.4%	34.3%	33.4%
Operating cost per service hour	$68.96	$72.26	**$76.07**	**$74.52**	$74.95	$81.88	$84.94
Operating cost per revenue passenger	$2.75	$2.87	**$2.91**	**$2.92**	$2.93	$3.21	$3.33

Service hours delivered exceeded the prior year by 9%, and target by 6%. Van passengers carried per service hour (4.9) exceeded the service plan target and continues to represent one of the highest productivity rates for this kind of service in Canada. The van operating cost per hour was $51.15, above target by 1%. The operating cost per van passenger exceeded the service plan target by 1% as a result of slightly lower ridership on new service provided. Cost recovery was above the service plan target but below 2005/06 as a result of lower initial revenues from service expansions.

Comparison to Industry Benchmarks

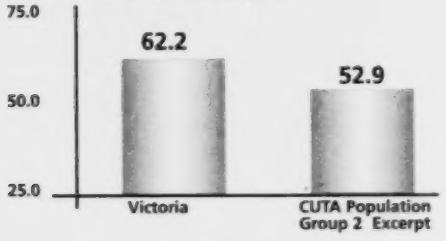
A recent review of the performance of the Victoria Regional Transit System and Municipal Systems Conventional Program provided the following summary of comparative results based on figures supplied by the Canadian Urban Transit Association (CUTA).

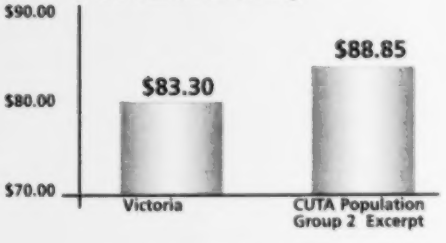
Performance of BC Transit's systems in 2005/06 is also benchmarked against comparable Canadian transit systems using the most recently available data from CUTA for 2005 or 2005/06.
The performance ratios selected are the most common measures used by the North American transit industry to gauge and compare service effectiveness and efficiency.

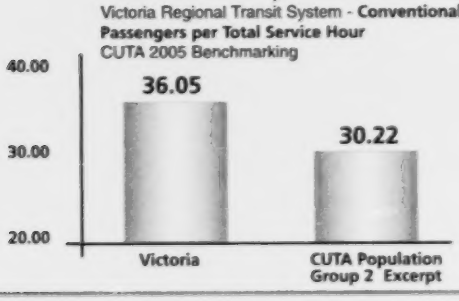
Victoria Regional Transit System Benchmarks

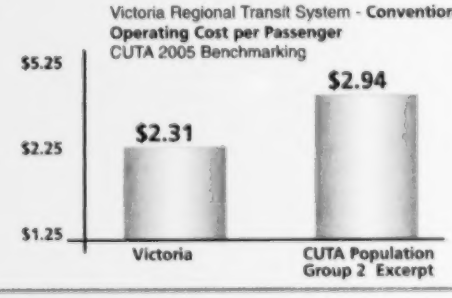
The Victoria Regional Transit System conventional service is compared with similar systems in the CUTA Urban Transit Population Group 2 (service area population 150,000-400,000). The Victoria custom service is compared with similar systems in the CUTA Specialized Transit Population Group 1 (service area population greater than 150,000).

Conventional

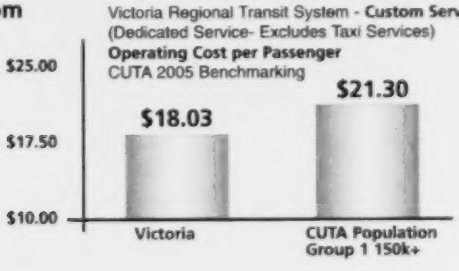


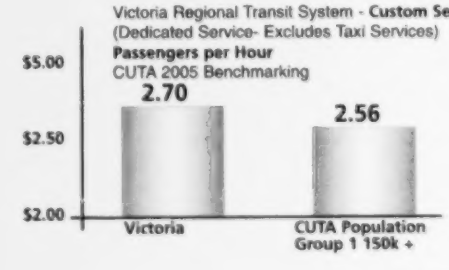






Custom





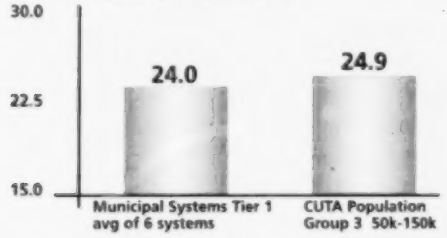
Municipal Systems Program Benchmarks

In the case of the Municipal Systems Program, Tier 1 conventional transit systems (those with service area populations over 50,000) are compared with the CUTA Urban Transit Population Group 3 (service area population 50,000-150,000).

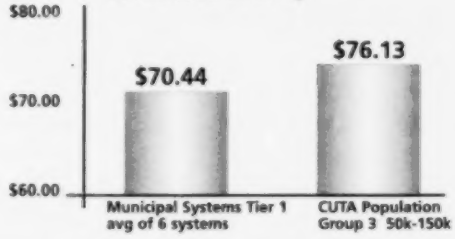
The Municipal Systems Program custom program averages the seven largest systems to compare with the CUTA Specialized Transit Population Group 2 (service area population 50,000-150,000).

Conventional

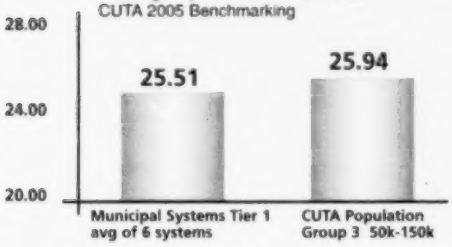
Municipal Systems Program - **Conventional Service**
Riders per Capita
CUTA 2005 Benchmarking



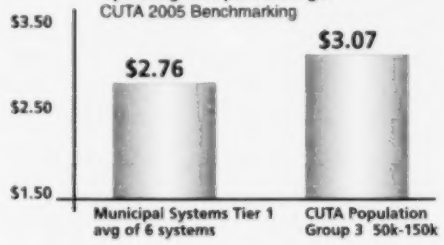
Municipal Systems Program - **Conventional Service**
Operating Cost per Total Service Hour
CUTA 2005 Benchmarking



Municipal Systems Program - **Conventional Service**
Passengers per Total Service Hour
CUTA 2005 Benchmarking

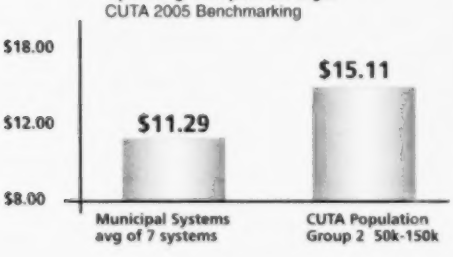


Municipal Systems Program - **Conventional Service**
Operating Cost per Passenger
CUTA 2005 Benchmarking

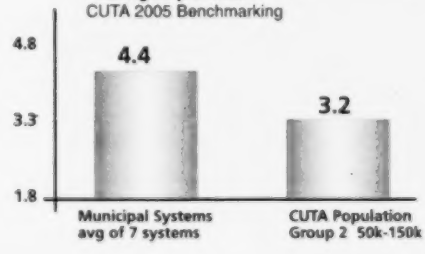


Custom

Municipal Systems Program - **Custom Service**
(Dedicated Service- Excludes Taxi Services)
Operating Cost per Passenger
CUTA 2005 Benchmarking



Municipal Systems Program - **Custom Service**
(Dedicated Service- Excludes Taxi Services)
Passengers per Hour
CUTA 2005 Benchmarking



Alignment with Government's Strategic Plan

BC Transit's programs and services directly support the priorities of the provincial government outlined in the February 2006 Throne Speech. The "Great Goals for a Golden Decade" - and BC Transit's activities in support of these goals - are as follows:

To make B.C. the best-educated, most literate jurisdiction on the continent.
The Corporation provides necessary access to all levels of education and to job training in more than 50 communities.

To lead the way in North America in healthy living and physical fitness.
By reducing reliance on automobile travel, and serving community and sport and other outdoor facilities, BC Transit contributes to a more healthy and active lifestyle.

To build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors. BC Transit's custom and paratransit programs, its Health Connections services, and its provision of increasingly accessible conventional services all provide essential access for seniors and people with mobility challenges to community activities, education, retraining and social and health services.

To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
BC Transit fosters improved environmental quality by reducing traffic congestion, promoting options to driving, supporting regional growth strategies and participating in the early adoption of new environmentally-friendly technologies.

To create more jobs per capita than anywhere else in Canada.
BC Transit provides essential mobility for the labour force and access to goods and services for consumers. It creates partnerships with employers, technology developers, and training institutions to support a healthy economy and a more effective transportation infrastructure

Financial Report

Financial Report

Management Discussion and Analysis

The following section summarizes BC Transit's financial results from management's perspective, and discloses the external business and policy environment, risks and opportunities that affected financial performance during the year.

BC Transit operates conventional transit and custom/para transit in Victoria and the Municipal Systems. Table 6 presents summary results for the year under review compared to the results of the prior four years. These results are compared to the 2006/07 Service Plan targets.

Table 6

Figures in thousands, except FTEs	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2006/07 Target	2006/07 Variance
Revenue							
Contributions from the Province:							
Base operating grants	44,458	46,269	46,531	49,457	**49,641**	49,264	(377)
Supplemental funding					**2,424**	1,980	(444)
Bonus incentive payment				2,188			
Test fuel cell engines	3,050						
Deferred revenue	-	(737)	571	410	-	-	-
	47,508	45,532	47,102	52,055	**52,065**	51,244	(821)
Amortization of deferred capital contributions	17,997	19,335	21,046	19,161	**21,051**	19,624	(1,427)
Amortization of net assets					**200**	-	(200)
Passenger & advertising revenue	40,385	41,510	44,996	47,366	**50,917**	47,866	(3,051)
Local taxation	29,148	30,647	30,877	32,948	**39,734**	38,376	(1,358)
Investment and other income	916	1,123	1,606	1,748	**2,364**	1,384	(980)
Gain/(Loss) on disposal of capital assets	-	-	103	800	**26**	-	(26)
	135,954	138,147	145,730	154,078	**166,357**	158,494	(7,863)
Expenditures							
Salaries and benefits	36,624	36,796	38,217	42,454	**42,155**	39,224	(2,931)
Operating costs	67,306	69,698	72,655	79,101	**88,121**	83,566	(4,555)
Amortization of capital assets	23,043	25,307	28,479	25,359	**31,067**	28,604	(2,463)
Interest expense	5,931	6,327	6,276	6,486	**6,556**	7,100	544
Fuel cell engines	3,050	-	-	-	-	-	-
	135,954	138,128	145,627	153,400	**167,899**	158,494	(9,405)
Gain / (Loss)	-	19	103	678	**(1,542)***	-	1,542
Capital expenditures	23,273	6,790	8,430	21,413	16,521	9,899	(6,622)
FTEs (as at year end)	585.6	562.2	578.5	608.6	645.8	611.0	(34.8)
Service hours	1,580	1,555	1,601	1,654	1,720	1,669	(51)
Passengers	37,190	37,489	38,609	40,716	42,534	40,379	2,155

* Amortization of net assets recovered from Contributed Surplus.

Results of Operations and Variance Analysis

Revenue

Passenger and advertising revenue across all programs totaled $50.9 million, an increase of 8% against the prior year, and 6% against target, based primarily on a 5% increase in ridership. The residual gain in revenue was a result of fare increases in certain communities, and a slight shift in the distribution of revenue products resulting in a higher average fare per ride. Improvements in service frequency and coverage, strong student ridership, targeted transit pass programs and continuing high fuel costs all contributed to this growth.

Local taxation revenue increased $6.8 million on a year-over-year basis, and includes higher flex-funding contributions by local governments to cover service expansion as well as cost increases for existing service. Total provincial contributions of $52.1 million remain at 2005/06 levels. The Province granted supplemental funding for the provincial share of 2006/07 core service cost increases. These offset one-time 2005/06 funding for bonus incentive payments granted pursuant to the Negotiating Framework.

Expenditures

Salaries and benefits remained constant on a year-over-year basis as additional staffing for new services and negotiated wage increases in 2006/07 were offset by the provincially-negotiated bonus incentive payment costs incurred in 2005/06.

Operating costs exceeded the prior year and target. This was primarily due to new flex-funded service (almost $5 million), as well as inflationary costs ($2 million). Increased fleet and facility maintenance costs, and to a lesser extent higher fuel costs, account for the remaining $2 million. The $6 million increase in capital asset amortization relative to the prior year is attributable to the amortization method used, along with increased capital assets.

Loss

The loss of $1.5 million is recovered through contributed assets as detailed in the financial statements.

FTE's

Staff increases, as represented by FTE's (full-time equivalents) were a result of new flex-funded services in the Victoria Regional Transit System.

Balance Sheet

The company operates on a cost recovery basis, and therefore regular operations do not result in significant balance sheet changes aside from transitory working capital shifts. The major balance sheet driver is the capital program. Last year the Corporation's capital program exceeded $18 million, primarily attributable to $11 million in expansion vehicles. Capital assets net of accumulated amortization increased by $2 million. Long term debt increased by $18 million relative to the prior year. Of this amount $11 million financed capital expenditures, while the residual was used to term out 2005/06 capital expenditures at favorable borrowing rates.

Cash on hand increased over $20 million relative to the prior year due to a favourable judgment on a GST case ($5 million), long term debt term-outs replenishing cash ($7 million), federal and provincial capital advances in excess of expenditures ($7 million) and other net changes ($1 million)
Net assets increased $6 million (net of amortization) compared to last year as a result of the Province granting prior years' tax recoveries and land sales back to BC Transit for operating and capital expenditures.

Opportunities and Risk Factors

Fuel and Maintenance Costs

As in prior years, fuel costs remain a significant financial risk. At this time fuel futures are significantly more expensive than rack purchases. Consequently, the Corporation has not hedged fuel costs and is purchasing on a weekly rack rate. To minimize costs and optimize environmental benefits, BC Transit now acquires seasonal biodiesel fuel at a cost up to 8 cents a litre less than #1 diesel. BC Transit will continue to closely monitor fuel futures and look for other opportunities to reduce fuel costs.

As noted in the current Service Plan, fleet maintenance costs are increasing at a rate greater than inflation. This occurs due to a combination of factors including an aging fleet, increasing technical complexity of recent fleet purchases and maintenance deferred in prior years due to funding constraints. BC Transit has improved maintenance forecasting in order to better predict life-cycle maintenance costs and has increased basic maintenance budgets in part to address maintenance deferred from prior years.

Labour Costs in Contracted Services

Employee labour costs are not a risk factor owing to the four year collective agreement concluded as part of the negotiating framework of the Province. However, labour costs of contract operators are a current and increasing concern owing to increasingly tight labour markets precipitated by demographic shifts and continuing economic growth. Recent requests for proposals (RFP's) for contract operators have resulted in cost increases beyond those originally budgeted. In response, BC Transit has attempted to increase competition and reduce entry barriers to this business. Nonetheless, the market is very tight.

Within the next five years 30% of BC Transit's present employees will become eligible for retirement. To address workforce challenges the Corporation is focusing on expanded recruitment techniques, targeted succession planning and employee development. Legislation hs been introduced to protect the employment of persons aged 65 and over. This legislation will take effect within the 07/08 fiscal year. In order to meet our obligations BC Transit will move forward to amend its own retirement policy and practices.

Service Expansion Challenges

Recent government announcements regarding transit expansion were greeted positively by BC Transit's local government partners. However, expansion brings a new set of challenges in the form of service capacity risks.

In Victoria, expansion requires the hiring of additional transit operators, mechanics and professional technical staff at a time when the city is experiencing record low unemployment. As noted above, 30% of BC Transit staff will become eligible for retirement within the next 5 years. This will be a major recruiting challenge in the Victoria Regional Transit System.

Continuing expansion will significantly stress existing transit depots as well. In prior years, BC Transit has operated under the assumption of static or "core" service levels. With the implementation of a significant expansion in 2007/08 it is apparent that some facilities will be over capacity within the next few years. Staff are now examining long term facility requirements under various growth scenarios.
Expansion fleet purchases will also present logistical issues. With the injection of federal gas tax transfer program monies (including the Public Transit Capital Trust and the Public Transit Agreement) into transit funding, vehicle manufacturers are filling their order books. Consequently lead times for vehicle orders have increased from eight months to well over one year.

Benefits and Insurance

Besides increased fuel and maintenance costs, employee benefit rates remain a risk area because of two factors: an aging work force, combined with increased benefit rates.

Fleet primary liability insurance costs have increased reflecting a province-wide trend to increased litigation and settlement costs.

Outlook

Ridership across BC Transit's systems continues to grow at a rate faster than the national average. Demand-side factors such as increased commuting times by car, the high costs of automobile ownership and operation, growing environmental awareness, a strong economy and population growth are not expected to abate. With fuel prices at record levels and a major service expansion planned for the fall of 2007, it is anticipated that next year will again see a record increase in transit ridership.

Although clear opportunities exist for transit to capture a larger market share, the fleet, facility and staff capacity limitations noted above may potentially constrain transit growth. Fleet and facility enhancements require both funding and lead time.

The Province's assistance in providing expansion funding will facilitate the 2007/08 and 2008/09 expansion program desired by BC Transit's local government partners. Nevertheless, as noted above, there will be considerable cost, workforce and capital project challenges to be addressed in delivering these improvements as effectively and efficiently as possible in the coming period.

REPORT OF MANAGEMENT
Year ended March 31, 2007

The financial statements of British Columbia Transit (iBC Transitî) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles consistently applied and appropriate in the circumstances. A precise determination of many assets and liabilities is dependent upon future events and, consequently, the preparation of periodic financial statements necessarily involves the use of managementís judgment in establishing the estimates and approximations used. The financial statements have, in managementís opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the financial statements and incorporate, within reasonable limits of materiality, all information available as at May 17, 2007.

BC Transitís system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with managementís authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the conflict of interest policy of all BC Transit officers and employees.

The financial statements have been examined by KPMG LLP, BC Transitís independent external auditors. Their responsibility is to express their opinion whether the financial statements in all material respects, present fairly the financial position, results of operations and cash flows in accordance with generally accepted accounting principles. Their report follows. The Board of Directors meets regularly with management and the external auditors to satisfy itself that the companyís system of internal control is adequate, to ensure that responsibilities for financial reporting are being met, and to provide an opportunity for full and open access to the Board of Directors in respect to financial reporting matters.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Ron Drolet
Senior Vice President, Customer Service & Corporate Secretary

Steve New
Senior Vice President, Municipal Systems Program

Tony Sharp, CA
Vice President, Finance and Chief Financial Officer

KPMG

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Members of the Board of Directors of
British Columbia Transit

We have audited the balance sheet of British Columbia Transit as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Victoria, Canada

May 17, 2007

BRITISH COLUMBIA TRANSIT

Balance Sheet

March 31, 2007 ($000)

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 36,756	$ 16,542
Accounts receivable:		
Municipalities	7,961	5,634
Trade and other	4,276	6,440
Parts inventory	5,817	6,069
Prepaid expenditures	1,409	1,364
	56,219	36,049
Debt sinking funds (note 4)	25,929	25,215
Capital assets (note 5)	180,610	178,058
Capital assets under lease (note 6)	896,138	916,423
Investment in Transportation Property and Casualty Company Inc.	20	20
	$ 1,158,916	$ 1,155,765
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	$ 14,353	$ 15,907
Deferred revenue (note 7)	14,285	9,558
Current portion of long-term debt	10,200	5,206
Current portion of obligations under capital leases	17	17
	38,855	30,688
Long-term debt (note 8)	111,724	100,425
Obligations under capital leases (note 9)	180	198
Deferred contributions (note 10)	15,617	13,961
Deferred capital contributions (note 11)	919,912	936,291
	1,086,288	1,081,563
Net Assets		
Contributed surplus and investment in capital assets	71,644	73,217
General	984	985
	72,628	74,202
	$ 1,158,916	$ 1,155,765

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

BRITISH COLUMBIA TRANSIT

Statement of Operations

Year ended March 31, 2007 ($000)

	2007	2006
Revenue:		
Operations	$ 50,917	$ 47,366
Investment and other income	2,364	1,748
	53,281	49,114
Expenditures:		
Operations and maintenance	118,464	109,969
Administration	10,057	9,754
Interest on long-term debt	6,556	6,486
Amortization of capital assets	15,776	10,464
Vehicle/property leases and taxes	1,756	1,832
	152,609	138,505
Recoveries:		
Contributions from the Province of British Columbia:		
Operating grants	49,641	49,867
Supplementary operating grant	2,424	2,188
Contributions from municipalities (note 10)	39,734	32,948
Amortization of deferred capital contributions - capital assets	5,960	4,266
	97,759	89,269
Expenditures from transit operations	(1,569)	(122)
Other:		
Amortization of capital assets under lease	(15,291)	(14,895)
Amortization of deferred capital contributions - capital assets under lease	15,291	14,895
Gain on disposal of capital assets	26	800
	26	800
Net revenue (expenditures) for the year	$ (1,543)	$ 678

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Changes in Net Assets

Year ended March 31, 2007 ($000)

		General	Contributed surplus and investments in capital assets	Total 2007	Total 2006
Balance, beginning of year	$	985	73,217	74,202	73,856
Net revenue (expenditures) for the year		(1,543)	-	(1,543)	678
Return of contribution to the Province		-	(31)	(31)	(332)
Internal transfer		1,542	(1,542)	-	-
Balance, end of year	$	984	71,644	72,628	74,202

See accompanying notes to financial statements.

BRITISH COLUMBIA TRANSIT

Statement of Cash Flows

Year ended March 31, 2007 ($000)

	2007	2006
Cash provided by (used for):		
Operations:		
Net revenue (expenditures) for the year	$ (1,543)	$ 678
Items not involving cash:		
Amortization of capital assets	15,776	10,464
Amortization of capital assets under lease	15,291	14,895
Amortization of deferred capital contributions	(21,251)	(19,161)
Gain on disposal of capital assets	(26)	(800)
Net changes in non-cash operating working capital:		
Accounts receivable	(163)	(4,154)
Parts inventory	252	(1,395)
Prepaid expenditures	(45)	(350)
Accounts payable to Province of British Columbia	-	(420)
Accounts payable and accrued liabilities	(1,554)	(7,211)
Deferred revenue	4,727	9,558
	3,217	(3,972)
	11,464	2,104
Investing:		
Proceeds from sale of capital assets	26	3,333
Additions to capital assets	(16,786)	(21,413)
Recoveries from capital assets under lease	3,452	-
	(13,308)	(18,080)
Financing:		
Repayment to the Province of British Columbia of proceeds on disposal of contributed land	(31)	(332)
Increase in deferred contributions	1,656	3,588
Capital lease payments	(18)	(16)
Increase in long-term debt	16,293	6,944
Increase in debt sinking funds	(714)	(4,156)
Deferred capital contributions received	4,872	10,800
	22,058	16,828
Increase in cash and cash equivalents	20,214	852
Cash and cash equivalents, beginning of year	16,542	15,690
Cash and cash equivalents, end of year	$ 36,756	$ 16,542

See accompanying notes to financial statements.

1. Purpose:

British Columbia Transit ("BC Transit") was established under the British Columbia Transit Act, as amended in 1998, to operate the urban transit systems in the Province of British Columbia outside of the Greater Vancouver Regional service area. In 2007 BC Transit recovered 44.6% (2006 - 46.50%) of its expenditures from the Province of British Columbia with the balance from transit operations and municipalities.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. The financial position and changes in the funds during the year are set out in note 12.

2. Summary of significant accounting policies:

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The significant accounting policies are set out here under:

(a) Short-term investments:

Short-term investments are recorded at the lower of cost and market value.

(b) Parts inventory:

Parts inventory is valued at the lower of cost on a first-in first-out basis, and replacement cost. Inventories are recorded net of any obsolescence provisions.

(c) Debt sinking funds:

Debt sinking funds, consisting of pooled investment portfolios and Canada, provincial government and Crown corporation bonds, are recorded at the lower of amortized cost or market, with any premium or discount on purchase being amortized over the term to maturity of each investment.

2. Summary of significant accounting policies (continued):

(d) Capital assets:

(i) All capital assets, except those noted in (ii) and (iii), are recorded at cost, including capitalized interest as described in note 2(f).

(ii) Capital assets transferred from the Province of British Columbia are recorded at their appraised value. These appraisals were carried out at various dates between June 30, 1979 and August 18, 1987.

(iii) Amortization is provided on the basis that results in a matching of these charges with BC Transitís statutory power to recover the cost of the related assets. Contributed assets are not subject to recovery and are amortized over their estimated useful lives. All assets are amortized by the sinking fund method over a period not exceeding their estimated remaining useful lives. Land is not subject to amortization. The assessment of net recoverable amounts is determined by applying the applicable deferred capital contributions to capital costs.

(e) Investment in Transportation Property and Casualty Company Inc.:

BC Transitís 10% interest in Transportation Property and Casualty Company Inc. is recorded on the cost basis of accounting.

(f) Capitalization of interest:

Interest incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes is capitalized. In 2007 interest of $211 was capitalized (2006 - $153).

(g) Amortization of bond premiums and discounts:

Bond premiums and discounts are amortized on a straight-line basis over the term of the debt.

(h) Revenue recognition:

All sources of revenue are recognized on the accrual basis.

BC Transit follows the deferral method of accounting for contributions. Contributions from third parties for defined purposes are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Summary of significant accounting policies (continued):

(i) Deferred capital contributions:

Deferred capital contributions include the unamortized portions of capital asset contributions. Contributions for capital projects are provided by prepaid capital advances from the Province. These prepaid capital advances are recorded by BC Transit as deferred capital contributions and are recognized in the statement of operations on the same basis as the related assets are amortized. This matches the amortization of the deferred capital contributions with the expenditures incurred through amortization of the capital assets acquired with the funds.

(j) Employee future benefits:

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan with over 51,000 active plan members and approximately 30,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation was as at March 31, 2005, and disclosed a $767 million deficit for funding purposes ($546 million surplus as at the previous valuation). The actuary does not attribute portions of the deficit to individual employers. The next required valuation will be as of March 31, 2008. Contributions to the plan in 2007 by BC Transit totaled approximately $2,773 (2006 - $2,049).

(k) Financial instruments:

BC Transit is party to certain derivative financial instruments, principally interest rate swap contracts (used to manage the exposure to interest rates and cash flow risk) and forward foreign exchange contracts (used to manage foreign currency exposures on foreign currency debt). These instruments are not recognized in the financial statements on inception. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on long-term debt. Gains and losses on forward foreign exchange contracts are recognized in revenues in the same period as the foreign currency revenues to which they relate.

2. Summary of significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported periods. Significant areas requiring the use of management estimates include the determination of amortization periods and certain accrued liabilities. Actual results could differ from the estimates. Adjustments, if any, are reflected in operations in the period of settlement.

(m) Income and capital taxes:

BC Transit is exempt from Canadian federal and British Columbia provincial income and capital taxes.

(n) Impairment of long-lived assets:

BC Transit monitors the recoverability of long-lived assets, including capital assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. BC Transit reviews factors such as current market value, future asset utilization and business climate and compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge is recognized based on the excess of unamortized cost over fair market value.

(o) Comparative figures:

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

3. Cash and cash equivalents:

BC Transit considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

(a) Major components of cash and cash equivalents are as follows:

	2007	2006
Cash	$ 4,996	$ 1,942
Short-term investments	31,760	14,600
	$ 36,756	$ 16,542

(b) Supplemental cash flow information:

	2007	2006
Cash paid during the year for:		
Interest on long-term debt and notes payable	$ 6,404	$ 6,463
Cash received:		
Interest on investments	2,349	1,733

4. Debt sinking funds:

Investments held in the sinking funds, including interest earned, are to be used to repay the related debt at maturity.

Sinking funds and related investments are managed by the British Columbia Investment Management Corporation (iBCIMCî). Investment management fees totaling $20 (2006 - $6) were paid directly from individual portfolios to BCIMC.

5. Capital assets:

March 31, 2007	Carrying value	Accumulated depreciation and amortization	Net book value
Land	$ 5,508	$ -	$ 5,508
Land improvements	2,554	1,285	1,269
Buildings	21,960	8,885	13,075
Revenue vehicles	217,719	69,612	148,107
Revenue vehicles under capital leases	294	97	197
Equipment	16,780	7,985	8,795
Capital projects in progress	3,659	-	3,659
	$ 268,474	$ 87,864	$ 180,610

March 31, 2006	Carrying value	Accumulated depreciation and amortization	Net book value
Land	$ 5,508	$ -	$ 5,508
Land improvements	1,955	1,169	786
Buildings	21,960	7,808	14,152
Revenue vehicles	205,716	59,743	145,973
Revenue vehicles under capital leases	294	79	215
Equipment	13,949	6,168	7,781
Capital projects in progress	3,643	-	3,643
	$ 253,025	$ 74,967	$ 178,058

6. Capital assets under lease:

These capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the Greater Vancouver Transportation Authority ("GVTA") for their use pursuant to an Order in Council and operating lease and represents one of the Province's contributions toward public transportation in the Greater Vancouver Regional District.

The operating lease arrangements with GVTA are for one dollar per year under an initial 15-year term to 2014, with additional five-year renewal periods upon the agreement of BC Transit and the GVTA. Cost information of these assets is as follows:

March 31, 2007	Carrying value	Accumulated amortization	Net book value
SkyTrain	$ 1,201,872	$ 408,924	$ 792,948
West Coast Express	128,848	25,658	103,190
	$ 1,330,720	$ 434,582	$ 896,138

March 31, 2006	Carrying value	Accumulated amortization	Net book value
SkyTrain	$ 1,205,324	$ 395,675	$ 809,649
West Coast Express	128,848	22,074	106,774
	$ 1,334,172	$ 417,749	$ 916,423

7. Deferred revenue:

	2007	2006
Unexpended contributions:		
Provincial funding	$ 8,132	$ 9,558
Fuel Cells Canada	1,000	-
Public Transit Agreement	5,153	-
	$ 14,285	$ 9,558

BC Transit owns certain West Coast Express and SkyTrain infrastructure in Vancouver. The SkyTrain infrastructure included lands surplus to the operation of the Expo Line. In prior years BC Transit disposed of these surplus lands for total proceeds of $7,384 and realized a $2,122 tax recovery related to the Expo Line. As these funds were deemed repayable to the provincial government, they were held as an outstanding liability along with other provincial funding.

During the year, the Ministry of Transportation granted these funds to BC Transit to use for operating and capital expenditures. $2,424 was recognized during the year to fund operating expenditures and $3,485 was used to purchase capital assets. The remainder along with a net amount of $4,483 realized on the successful appeal of a GST case to the Tax Court of Canada during the year has been deferred as provincial funding for future operating and capital expenditures.

8. Long-term debt:

	2007	2006
Sinking fund bonds, weighted average interest rate of 6.2%, maturing at various dates from 2006 to 2023, amortized from 10 to 20 years	$ 108,184	$ 91,900
Sinking fund bonds under interest rate and currency conversion agreements, effective weighted average interest rate of 6.1%, maturing at various dates to 2010, amortized over 12 years	13,727	13,727
	121,911	105,627
Add unamortized bond premium	73	88
Less unamortized bond discount	(60)	(84)
	121,924	105,631
Less current portion	(10,200)	(5,206)
	$ 111,724	$ 100,425

The Minister of Finance, as BC Transitis fiscal agent, arranges financing at BC Transitis request. BC Transit paid fees totaling $28 (2006 - $17) in the year for these fiscal agent services.

8. Long-term debt (continued):

Schedule long-term debt payments and maturities in each of the next five years are as follows:

2008	$	10,200
2009		-
2010		9,829
2011		8,363
2012		9,917
Thereafter		83,582

9. Obligations under capital leases:

BC Transit leases equipment under leases which are classified as capital leases. The future minimum annual lease payments are as follows:

2008	$	34
2009		34
2010		34
2011		34
2012		34
Thereafter		97
		267
Less amount representing interest at 8.36%		(70)
Present value of capital lease obligations		197
Less current portion		(17)
	$	180

Interest incurred during the year with respect to obligations under capital leases included in other interest expenditures amounted to $17 (2006 - $18).

10. Deferred contributions:

Debt service contributions to fund sinking fund and interest payments are recovered from municipal partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

	2007	2006
Balance, beginning of year	$ 13,961	$ 10,373
Contributions from municipalities - Victoria	20,286	17,346
Contributions from municipalities - other municipalities	21,104	19,190
Contributions from municipalities expended	(39,734)	(32,948)
Balance, end of year	$ 15,617	$ 13,961

11. Deferred capital contributions:

	2007	2006
Provincial contributions subject to amortization:		
Capital assets	$ 83,248	$ 80,915
Capital assets under lease	836,664	855,376
	$ 919,912	$ 936,291

12. Victoria Regional Transit Fund:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the financial statements. The fund balance and transactions during the year are as follows:

Fund balance, beginning of year	$ 3,355
Revenue:	
Fuel tax	8,010
Property tax	11,140
Interest earned	256
Contributions	(20,286)
Fund balance, end of year	$ 2,475

13. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. The estimated fair value of obligations under capital leases approximates their carrying value as they bear interest at rates approximating current market rates. The fair values of other financial assets and liabilities included in the balance sheet are as follows:

March 31, 2007	Carrying amount	Fair value
Debt sinking funds	$ 25,929	$ 28,548
Long-term debt (including related foreign exchange contracts and interest rate swaps)	121,924	133,954

March 31, 2006	Carrying amount	Fair value
Debt sinking funds	$ 25,215	$ 27,362
Long-term debt (including related foreign exchange contracts and interest rate swaps)	105,631	119,641

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Concentration of credit risk:

Financial instruments that potentially subject BC Transit to significant concentrations of interest rate and credit risk consist primarily of cash equivalents, trade accounts receivable and debt sinking funds. To reduce risk, cash equivalents and debt sinking funds are only held at major financial institutions. Management performs ongoing credit evaluations of its customers' financial condition. As most receivables are from municipal partners, the exposure to credit risk is nominal.

14. Commitments and contingent liability:

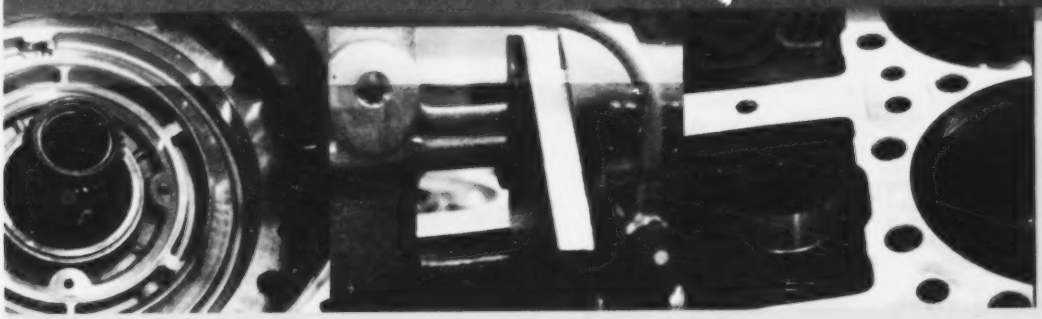
Operating lease payments:

BC Transit is committed to make future minimum payments under operating leases for the next five years as follows:

2008	$	1,087
2009		1,266
2010		1,268
2011		1,282
2012		1,295

These expenditures will be recovered from provincial and municipal sources pursuant to cost-sharing agreements.

Appendices



A1
BC Transit Senior Management Team and Contact Information

Senior Management Team

Ron Drolet
Senior Vice President
Customer Service &
Corporate Secretary

Steve New
Senior Vice President
Municipal Systems Program

Tony Sharp
Vice President
Finance & CFO

Susanne Fossey
Vice President
Human Resources

Ron Harmer
Vice President
Technical Services

Contact Information:
For further information about BC Transit contact our head office:

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BC Transit's Annual Reports and Three Year Service Plans are available on the BC Transit website at **www.bctransit.com.**

A2 Glossary

Accelerated Maintenance Program – A program of major overhauls to reduce vehicle life-cycle costs.

Accessible Buses – Accessible buses are able to accommodate riders who have wheelchairs or scooters. Accessible bus stops are clearly marked with the international wheelchair symbol, and routes that are fully accessible are indicated in the Rider's Guides.

American Passenger Transportation Association – APTA is the professional association for urban transit providers in the United States and the leading force in advancing public transportation.

Annual Operating Agreement – A three-party agreement between BC Transit, the municipality, and the operating company which allows for the delivery of the local transit service and defines total costs and the responsibility of each party.

Biodiesel – Biodiesel is a combination of a clean burning non-toxic biodegradable alternative fuel combined at any percentage with diesel to be used in diesel engines. The bio fuel component is produced from renewable sources such as vegetable oil and animal fats. Minimum biodiesel content in fuels will be regulated by govenments in the future.

British Columbia Transit – A Crown corporation created by the Provincial Legislature under the terms of the British Columbia Transit Act to ensure a consistent and comprehensive transit policy throughout the province.

British Columbia Transit Act – This Act established BC Transit with a Board of Directors and designated the Board responsible for participating with local government in the establishment of transit policy as well as coordination of the planning and funding of the various municipal transit systems in the province.

British Columbia Transit Board of Directors – A seven-member Board of Directors, appointed by the province, governs BC Transit. The BC Transit Act requires that four of the Board members be municipally elected representatives.

Busway – One type of transit priority treatment involving the dedication of a roadway or lanes within a mulit-lane roadway to the exclusive use of transit vehicles, with all general traffic prohibited. Typically part of a regional rapid transit or transit priority network.

Canadian Urban Transit Association – CUTA is the association for providers of urban transit services and the voice of the public transit industry in Canada.

Capital Costs – The sum of money paid for facilities and equipment (including taxes and interest charges) with a service life exceeding one year.

Conventional Transit – Transit service using regularly scheduled, fixed-route service, which is operating according to published route maps and timetables.

Cost-Sharing Agreement – An agreement between BC Transit and the municipality for the provision of transit service or the development of a transit study.

Custom Transit – Custom door-to-door service for those passengers who cannot use conventional transit due to a disability. Also known as handyDART, which stands for handy Dial-a-Ride-Transit.

Vehicles are vans or mini-buses that can accommodate wheelchairs and scooters. Riders must be registered with the handyDART office before they can use the service.

Double Deck Buses – BC Transit's Trident double deck buses were custom designed by Dennis Specialist Vehicles of Surrey, England. They are 12 metres (40 feet) long, 2.5 metres (eight feet) wide, and 4.3 metres (14 feet) tall and can carry 110 passengers. Compared to a single deck, 12-metre bus, the Trident double deck provides a 120 per cent increase in carrying capacity at a capital cost that is only 40 per cent higher. The Trident is low floor and fully accessible for wheelchairs and scooters.

Effectiveness – Effectiveness is a measure of the ability of the transit system to carry out the required services.

Efficiency – Efficiency is a measure of the ability of a transit system to provide a service within a minimum of expense or resource input.

Darts – Compact, mid-size buses that are ideal for smaller communities or neighbourhood routes as they are less noisy, more maneuverable, and more economical. The Darts, also known as Dennis Darts, come in two lengths – 10.6 m (35 feet) and 9.1 m (30 feet). All the Darts are low floor for easy boarding and accessible to wheelchairs and scooters.

Feasibility Study – Normally a two-phase study consisting of a Transit Concept Plan and a Transit Service Plan. The study is performed by BC Transit under the terms of a Cost Sharing Agreement between BC Transit and the municipality.

handyDART – Custom door-to-door service for those passengers who cannot use conventional transit due to a disability. Riders must be registered with the handyDART office before they can use the service. Also known as custom transit, handyDART stands for handy Dial-a-Ride-Transit. Vehicles are vans or mini-buses that can accommodate wheelchairs and scooters.

Hybrid Vehicle – Is a vehicle that uses two or more distinct power or fuel sources. The term most commonly refers to a hybrid electric vehicle which combines an internal combustion engine and an electric motor powered by batteries.

Hydrogen Fuel Cell – Is an electrochemical energy conversion device that uses hydrogen gas to produce electricity, water and heat. It operates much like a battery but does not require recharging. If sufficient hydrogen fuel is available it can generate electricity almost indefinitely.

Low-Floor Buses – Are designed so the entire floor is close to the pavement with no entry steps for easy boarding. For passengers who use walkers, crutches or who have difficulty stepping up, they have a kneeling feature that lowers the entry level even further. All low-floor buses have a ramp for wheelchair and scooter access.

Media Trade – Providing space in one advertising medium in exchange for access to another, instead of purchasing advertisements. For a transit system this means providing free access to advertising space in and on buses in exchange for use of radio spots or newspaper ad space. This provides opportunity to continue to inform customers with reduced marketing expenditure and limited or no loss of revenue.

Mode – A form of travel, e.g., transit, pedestrian, bicycle, automobile, or mixed mode such as bicycle and transit.

Municipal Systems Program – BC Transit is responsible for 52 municipal transit systems throughout British Columbia under the Municipal Systems Program. BC Transit is also responsible for the Victoria Regional Transit System which is separate from the Municipal Systems Program.

Municipal Transit System – A transit system operating or being studied in a community, excluding Vancouver or Victoria.

Municipality – For the purpose of agreements under the British Columbia Transit Act, municipalities are defined as cities, townships, villages, or regional districts, or a combination of these, involved in the operation, funding or feasibility assessment of a transit system.

Operating Company – The company selected by BC Transit and the municipality to operate the transit system under the terms of the Transit Service Agreement and the Annual Operating Agreement.

Operating Expenses – The sum of all costs associated with the operation, administration and maintenance of the transit system during a specified period, excluding depreciation and interest paid on loans for capital outlays.

Paratransit – Bus or van service in towns and rural areas where the population density does not warrant conventional bus service. More flexible than conventional fixed route transit, paratransit typically offers both custom door-to-door and fixed route service, with a flexible timetable to accommodate route deviation.

Peak Period (or Hours) – That period of time during a typical weekday in which the maximum amount of travel occurs. Usually a morning and evening peak are observed as a result of work and school related trips. The opposite of peak period is base or off peak period.

Taxi Saver Program – "Taxi Saver" is the name of a discounted coupon program which provides registered handyDART clients with up to $60 of taxi coupons at half price, valid for use in local taxi services. BC Transit has established agreements with local taxi firms in more than a dozen communities to process the coupons and top up payment to the meter rate.

Tiers – Groupings of Municipal Systems transit systems based on population size. Detail in Appendix A3.

ULSD – Ultra Low Sulphur Diesel – describes the current standard for refining diesel fuel with substantially lowered sulphur content. As of October 2006, the ULSD standard is 15 parts per million, much lower than the previous LSD standard of 500 ppm. This new standard dramatically reduces emissions of sulphur compounds as well as reducing oxides of nitrogen, and particulates. This new standard also allows vehicles to be fitted with advanced emission control systems that would otherwise be poisoned by higher levels of these emissions.

A3 list of Municipal Systems Program
Transit Systems by Tiers

Conventional	Custom	Paratransit
Tier 1*		
Central Fraser Valley	Central Fraser Valley	
Kamloops	Kamloops	
Kelowna Regional	Kelowna Regional	
Nanaimo Regional	Nanaimo Regional	
Prince George	Prince George	
Whistler		
Tier 2**		
Campbell River	Campbell River	Comox Valley
Chilliwack	Chilliwack	Cowichan Valley
Comox Valley	Penticton	
Cowichan Valley	Vernon Regional	
Penticton		
Vernon Regional		
Tier 3***		Agassiz-Harrison
Cranbrook	Alberni-Clayouquot	Bella Coola
Dawson Creek	Cranbrook	Boundary
Fort St. John	Kitimat	Castlegar Regional
Kitimat	Kootenay Boundary	Clearwater & Area
Kootenay Boundary	Prince Rupert	Columbia Valley
Nelson		Creston Valley
Port Alberni		Elk Valley
Powell River		Fort St. John
Prince Rupert		Hazeltons' Regional
Squamish		Kaslo
Sunshine Coast		Kimberley
Terrace Regional		Kootenay Lake West
		Nakusp
		Nelson & Area
		Nelson – Slocan Valley
		North Okanagan
		Okanagan-Similkameen
		Osoyoos
		100 Mile House & Area
		Pemberton Valley
		Port Edward
		Powell River
		Princeton & Area
		Quesnel
		Revelstoke
		Shuswap
		Skeena Regional
		Smithers & District
		Squamish
		Summerland
		Sunshine Coast
		Terrace Regional
		Williams Lake

*Tier 1:
Communities of 50,000+ population served, with the exception of Whistler

**Tier 2:
Communities of 20,000 - 50,000 population served

***Tier 3:
Communities of less than 20,000 population served

A4 Map of BC Transit Systems

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